

EMNAMBITHI-LADYSMITH MUNICIPALITY

PURPOSE

To provide a well serviced, safe, healthy and economically viable environment that enables all residents to take action so that all communities can enjoy a high quality of life.

VISION

By 2021, Emnambithi/Ladysmith will be KZN's vibrant, industrial, commercial, trade and tourism inter-link, where all residents enjoy a prosperous, caring, safe & secure environment which promotes cultural diversity.

OVERSIGHT REPORT 2009-2010

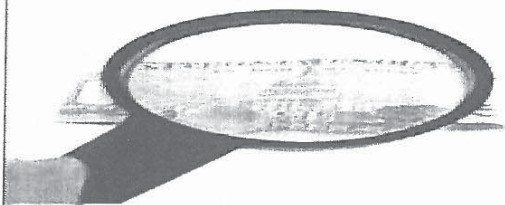


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ATTACHMENT:

1. PMS Action Plan on AG Report
2. CFO Action Plan on AG Report
3. Performance Audit Committee Report
4. Audit Committee Report

*Minutes: 17 January 2011
24 January 2011*

1. ACKNOWLEDGEMENT

The report is hereby Submitted to council for approval, the following councillors were elected to serve into the Oversight committee by a council meeting held on the 15TH December 2010.

Councillor:

1. ANC (2)
Councillors: Z B Rassool
B B Khumalo
2. IFP (1)
Councillor: A S D Warasally
3. D A (1)
Councillor: P A Porrill
4. NADECO (1)
Councillor: T E Ndlovu
5. MINORITY FRONT (1)
Councillor: V Bachu Ramdaas
6. ACDP (1)
Councillor: B D Jubber (Pastor)

At the first meeting of the Oversight Committee the meeting Councillor Z. Rasool was unanimously elected to serve as the Chairperson.



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Cllr. Z. Rasool
Oversight Committee Chairperson

2. INTRODUCTION

The report is tabled in terms of the Municipal Finance Systems Act, 55, 2003 as amended. The Oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its Municipality and Municipal entities and to adopt an oversight report containing the council's comments on annual report, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

The Oversight Committee may use the attached checklist to organize its Report and to Manage request for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the Accounting Officer of the Municipality.

3. TERMS OF REFERENCE

All political parties are represented on the Oversight Committee, and the Performance and Audit Committees members act as advisory members of the committee.

At the Ordinary Council meeting held on the 15th December 2010, the following Councillors were elected to the Oversight Committee to deliberate on the 2009/2010 Annual Report:

That the following seven (7) non-executive members Councillors were elected to serve on the Municipal Oversight Committee to develop a program to address the queries raised in the Auditor-General's Report:

1. ANC (2)
Councillors: Z B Rassool
B B Khumalo
2. IFP (1)
Councillor: A S D Warasally
3. D A (1)
Councillor: P A Porrrill
4. NADECO (1)
Councillor: T E Ndlovu
5. MINORITY FRONT (1)
Councillor: V Bachu Ramdaas
6. ACDP (1)
Councillor: B D Jubber (Pastor)
3. That the elected Municipal Oversight Committee will submit a report addressing the queries raised by the Auditor General to Council for deliberations prior to submission to SCOPA.
4. That the Committee will table the Oversight Report to Council as per the following programme:

STRUCTURE	DATE	ACTIVITY
Distribution of the document	4 December 2010	Document circulated to all parties
Draft report submitted to Auditor-General	3 December 2010	E-mail the Annual Report to AG's office
EXCO	6 December 2010	Tabling and discussion of the Annual Report
Council	15 December 2010	Tabling of the Annual Report
Council	15 December 2010	Appointment of the Oversight Committee
Auditor-General, COGTA and Treasury	15 December 2010	Submission of report
Public	16 December 2010	Invite public to make comments on the report
Oversight Inauguration meeting	January 2011	Formulation of the draft Oversight Report
Ward Committee	22 January 2011	Public Consultation
Oversight Committee	28 January 2011	Oversight Report tabled to Council

MPM

Moved by: Councillor B B Khumalo
 Seconded by: Councillor N P Moloi

Voting For: 35

Voting Against: 0

The functions of the Oversight Committee are to:

- Undertake a review and analysis of the Annual Report going forward
- Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report.
- Prepare the Oversight Report taking into consideration, the views and inputs of the public, representative(s) of the Auditor General, Organs of State, Councils' audit committee and Councillors.

2. CONSULTATION PROCESS

2.1 Council Resolution

TABLING OF ANNUAL REPORT : 2009/2010

PRESENTATION BY MISS FUTHI MAKHAYA FROM THE AG'S OFFICE

//Councillor P A Porrill, S O Mahlaba, J M Magasela, S W Nkosi and B R Madonsela joined the meeting during these proceedings.//

//Miss Futhi Makhaya congratulated Council, particularly Management and Officials for their hard work in obtaining an unqualified Audit Opinion from the Auditor General.//

- 3.1 That the presentation by Miss Futhi Makhaya from Auditor General's Office be noted.
- 3.2 That Mr P Kunene from the Performance Audit Committee noted the concerns raised by the Auditor General Office on consistency, reliance and measurability.
- 3.3 The Mayor proposed an unopposed motion seconded by Councillor M J Buthelezi that Officials ensure that they address the matters as indicated by the Auditor General in order to obtain an unqualified Audit Report for 2011 as well.
- 3.4 That it be noted that the Oversight Committee will interrogate the AG's Report and draft a programme to address the above mentioned (3.3) matters.

//Councillors S H Thusi and S N Zwane left the meeting at 15h30 with permission of the Speaker.//

ITEM A 2

LC2/12//2010

MFMA/MSA : 2009/2010 ANNUAL REPORT

Councillor N P Sigasa requested a five minutes caucus:

At 16:15 the Speaker re-convened the meeting with 35 Councillors present.

Councillor T E Ndlovu did not return at this stage of proceedings.

ITEM A 2 OF 15/12/2010

RESOLVED

1. That the Annual Report on the Municipal Finance Management Act/Municipal Systems Act for 2009/2010 is supported without reservations.

2.2 Oversight Committee Minutes

The Minutes of the Oversight Committee Meeting held on the 17th February 2010 are attached.

2.3 Community /other spheres of government comment

No written comments have been received so far.

No written comments have been received so far.

2.4 Auditor-General

Comments of the Auditor-General are captured in the Minutes for the 17th January 2011

3.1 ISSUES RAISED BY COUNCILLORS AND MANAGEMENT RESPONSE

EMNAMBITHI/LADYSMITH MUNICIPALITY OVERSIGHT COMMITTEE/ ARREAR AMOUNTS COUNCILLORS'

In the report to the Oversight Committee's meeting of 17 January 2011 the following is stated on page 14 of the report:

3) Have arrears for rates and services owed by Councillor in which the arrears was for more than 90 days been disclosed including the name of the Councillor.

REPLY

3) Councillors arrears for rates are up to date.

According to information Councillor V Ramdaas Bachu is in arrears of approximately R7500.00.

Section 12A of the Code of Conduct promulgated in terms of the Municipal Systems Act of 2000 provides:

"12A A councillor may not be in arrears to the Municipality for rates and service charges for a period of longer than 3 months"

MANAGEMENT RESPONSE

Councillor Bachu's account was in arrears as at 30 June 2010 because her meter was not read for a number of months and the Council used estimates to bill her electricity account. When the actual reading took place towards year end, a total amount of R8,219.89 became due and was deducted from her allowance for June 2010. However she wrote to management requesting that an arrangement be made so that Council can deduct for a period of 18 months to recover the amount and it was approved and currently deductions are underway as per agreement.

3. ACTION PLAN ON COMPONENTS RAISED BY THE AUDITOR-GENERAL

The Management's Action Plan to the Auditor-General's Report on the Financial Statement and Performance Management information for the year ended 30th June 2010 is attached.

RECOMMENDATION BY THE MUNICIPAL MANAGER

That Management must have addressed all the issues raised by the Auditor-General on or before the end of the current financial year. That EXCO monitors the progress in this regard and report to council.

4. Adoption of the Oversight Report

1. That the Oversight Committee adopt the Draft Report for tabling before the next council meeting.
2. That in future a workshop is organized for Councillor so as to encourage maximum councillors participation.

ANNUAL REPORT CHECKLIST

1. Annual Financial Statements - Section 121 (3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities.	1. Have the financial statements been included? 2. Are the financial statements audited? 3. Have the financial statements been prepared in compliance with applicable accounting standards.	1. The Audited Financial Statements have been included in the Annual report, Chapter 04, Annexure A 2. The Financial Statements are prepared in terms of GRAP/GAMAP compliance	The Report was submitted on time.
121 (3)(a)	The above applies to the AFS of municipal entities.	Not applicable		
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.		1. Is the audit report included in the tabled Annual Report? 2. If not, when will the audit report be tabled? 3. What are causes of the delays? 4. What actions are being taken to expedite the report?	1. The Audit Report is included is attached in the Annual Report 2. The Audit Report was tabled along with the Annual report 3. The office of the Auditor-General officially handed over and tabled to Council on the 15 th December 2010.	N/A

121 (4)(b)	The above applies to the AFS of municipal entities.	Not applicable		
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.	1. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	1. The Auditor-General Report has been attached along with the Annual Report.	N/A
121 (4)	The above applies also to the AFS of municipal entities.		N/A	
2. Annual Financial Statements - Section 121 (3) & (4) MFMA cont.	For Consideration	Questions		
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		<p>1. Has an adequate assessment been included?</p> <p>2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?</p> <p>3. Is any other action needed?</p>	<p>The Report is included in the Annual report, Finance Department Section of the Annual Report: Page 34 to Page 36</p> <p>A dedicated Legal section has been set up to deal with the collection of arrears and target has been set.</p> <ul style="list-style-type: none"> Debtors Age Analysis is captured in the Financial Statement. 	A large portion of debt to be written off has been submitted to council for consideration.
121 (4)(c)	Above applies to AFS of municipal entities.		N/A	
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<p>The conclusions of the annual audit may be either –</p> <p>- An unqualified audit opinion with or without management issues, which means that the financial statements are</p>	<p>1. Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> To what extent does the 	<p>The Audit opinion is an unqualified one, however, issues were raised still under consideration by management.</p>	<p>The Corrective Action Report on the matters is reported in details above.</p>

	<p>acceptable;</p> <p>- A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or</p> <p>- The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed.</p> <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p>	<p>report indicate serious or minor financial issues?</p> <ul style="list-style-type: none"> ▪ To what extent are the same issues repeated from previous audits? ▪ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? <p>2. Has a schedule of action to be taken been included in the annual report with appropriate dates?</p> <p>3. Has the municipality taken steps to address the issues raised in the Audit Report?</p> <p>4. Has the Audit Report been forwarded to the MEC?</p>	<p>The issues of emphasis are new have no previous audit</p> <p>The Audit report and the Annual report has been submitted to the office of the MEC in LGTA.</p>	
121 (4)(e)	Above applies to AFS of municipal entities.		A/N	
121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality	Review all other information contained in the Annual Report.	1. Is the other information contained in the Annual Report, relevant and accurate?	The Annual Report has been tabled in EXCO and Council as well as the public for comments.	Council did not raise any matter in this regard.
121 (4)(h)	Applies to municipal entities.		The Annual Report is approved by council	
3. Annual Financial Statements - Section 121 (3) & (4) MFMA continued	For Consideration	Questions	N/A	
121 (4)(d)	Agreements between the municipality	1. Has the performance	The Municipality does not have	

<p>An assessment by the municipal entity's Accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the Municipality</p>	<p>and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.</p>	<p>met the Expectations of council and the community?</p> <ol style="list-style-type: none"> Have the performance objectives been met? What explanations have been provided for any non-achievement? What was the impact on the service delivery and expenditure objectives in the budget? 	<p>an entity, thus any Performance Agreements with entity is irrelevant.</p>	<p>N/A</p>
<p>121 (3)(i) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities</p>	<p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<ol style="list-style-type: none"> Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? 	<ol style="list-style-type: none"> The Audit Committee Reports have been attached. 	<p>The Committee raised issues relating to monitoring of Risk Assessment and Prudent Financial Matters</p>
<p>4. Disclosures – Allocations received and made – S 123 & 125 MFMA</p>	<p>For Consideration</p>	<p>Questions</p>	<p>Response</p>	<p>Corrective Action</p>
<p>123 (1)(a) Allocations received by the municipality</p>	<p>The annual financial statements must disclose:</p>	<p>Have allocations received by an organ of state, a municipal entity</p>	<p>The disclosure of grants and subsidies in terms of section 123</p>	<p>N/A</p>

from an organ or state, a municipal entity or another municipality.	<p>2. Details of allocations received from another organ of state in the national or provincial sphere, municipal entity or another municipality</p> <p>2. Any other allocation made to the municipality under Section 214(1) of the Constitution.</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>or another municipality been disclosed?</p> <p>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any action?</p>	<p>of MFMA, 56 of 2003, the report is captured in page 50 of the Financial Statement.</p> <p>The Audit Report has confirmed all allocations received.</p> <p>No actions were recommended</p>	
<p>123 (1)(b)</p> <p>Allocations made by the municipality to an organ of state, a municipal entity or another municipality.</p>	<p>The report should disclose:</p> <p>2. Details of allocations made to an organisation of state, a municipal entity or another municipality.</p> <p>2. Other information as may be prescribed.</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>Have allocations made to an organ of state, a municipal entity or another municipality been disclosed?</p> <p>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any action?</p>	<p>No allocations made/ Not applicable.</p> <p>The Audit Report refers to grants in page 50 of the audit report.</p> <p>No action necessary.</p>	<p>N/A</p>
<p>125</p> <p>Other compulsory disclosures and information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p>	<p>Are all the compulsory disclosures contained in the notes to the Annual Financial Statements?</p> <p>Does the audit report confirm that the disclosures have been</p>	<p>The following amounts owed to the Municipality has been disclosed:</p> <ul style="list-style-type: none"> Grants received page 50 of 	<p>N/A</p>

	<p>Other disclosures required; Contributions to organised local labour and amount outstanding at year end</p> <p>Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there where amounts outstanding at year end</p> <p>Name of bank where accounts held and year end balances</p> <p>Summary of investments held</p> <p>Contingent Liabilities</p> <p>Material irregular, fruitless or Wasteful expenditure</p> <p>Details of unauthorised Expenditure</p> <p>Particulars of non compliance with the MFMA</p> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	made?	<p>the Financial Statement.</p> <ul style="list-style-type: none"> The following never existed hence not reported: -Contingent Liabilities Material irregular, fruitless or Wasteful expenditure 	
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<p>123 (1)© – (f) Information in relation to the use of allocations received</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ol style="list-style-type: none"> 1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. 2. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)© of the Constitution and allocations received from other than another organ of state. Where there is non- 	<ol style="list-style-type: none"> 1. Disclosure on how allocations received have been spent per vote 2. Has the Municipality complied with the conditions of the grants received? 3. Has the Municipality had any allocation per DORA, delayed or withheld? 4. Does the Audit report or Audit Committee recommend any action? 	<p>Allocation received per vote are captured on page 46 of the Financial Statements. Expenditure has not been classified by vote.</p> <p>All grants conditions have been complied with.</p> <p>No allocations in terms of DORA were withheld.</p> <p>No action necessary</p>	<p>N/A</p>
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